

AMENDED IN ASSEMBLY MAY 5, 2015
AMENDED IN ASSEMBLY APRIL 16, 2015
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AMENDED IN ASSEMBLY MARCH 25, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 674

Introduced by Assembly Member Mullin

February 25, 2015

An act to add Section 354 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 674, as amended, Mullin. Electricity: distributed generation.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law authorizes the Public Utilities Commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the Public Utilities Commission to require each electrical corporation under the operational control of the Independent System Operator as of January 1, 2001, to modify tariffs so that all customers that install new distributed energy resources, as defined, in accordance with specified criteria are served under rates, rules, and requirements identical to those of a customer within the same rate schedule that does not use distributed energy resources, and to withdraw any provisions in otherwise applicable tariffs that activate other tariffs, rates, or rules if a customer uses distributed energy resources. Existing law provides, notwithstanding

these requirements, that a customer that installs new distributed energy resources not be exempted from (1) reasonable interconnection charges, (2) charges imposed pursuant to the Reliable Electric Service Investment Act, and (3) charges imposed to repay the Department of Water Resources for electricity procurement expenses incurred in response to the electricity crisis of 2000–01. Existing law requires the Public Utilities Commission, in establishing the rates applicable to customers that install new distributed energy resources, to create a firewall that segregates distribution cost recovery so that any net costs, taking into account the actual costs and benefits of distributed energy resources, proportional to each customer class, as determined by the Public Utilities Commission, resulting from the tariff modifications granted to members of each customer class may be recovered only from that class.

This bill would, to the extent authorized by federal law, require the Public Utilities Commission, by July 1, 2016, to do both of the following for those electrical corporation customers that ~~have installed~~ *install* clean distributed energy resources, as defined, after January 1, 2016: (1) require each electrical corporation to collect all applicable nonbypassable charges fixed, implemented, administered, or imposed by the Public Utilities Commission based only on the actual metered consumption of electricity delivered to the customer through the electrical corporation's transmission or distribution system, which charges are to be at the same rate per kilowatthour as paid by other customers that do not employ a clean distributed energy resource, and (2) calculate a reserve capacity for standby service, if applicable, based on the capacity needed by an electrical corporation to serve a customer's electrical demand during an outage of the clean distributed energy resource providing electric service for that customer. *The bill would require each electrical corporation to identify the total amount of nonbypassable charges that would be collected each year from customers served by clean distributed energy resources installed after January 1, 2016, based on gross consumption without any adjustment for the generation of the clean distributed energy resources. The bill would require that this total amount be fully recovered from customers in the same customer class as those customers served by clean distributed energy resources installed after January 1, 2016, and would prohibit any amount from being shifted to any other customer class. The bill would require a customer served by a clean distributed energy resource, upon request, to provide relevant data to the Public Utilities Commission and the State Air Resources Board and the facility be*

subject to onsite inspection, to verify equipment operation and performance, including capacity, thermal output, and usage to verify criteria air pollutant and greenhouse gases emissions performance. The bill would require the State Energy Resources Conservation and Development Commission to report to the Legislature and the relevant policy committees of the Legislature on the impact of its provisions on specified issues by July 1, 2021.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Clean onsite generation of electricity yields multiple benefits,
- 4 including increased electrical reliability and efficiency, reduced
- 5 emissions of greenhouse gases and oxides of nitrogen (NOx), and
- 6 electrical grid resiliency.
- 7 (b) In 2011, Governor Jerry Brown released a Clean Energy
- 8 Jobs Plan that called for 12,000 megawatts of localized electrical
- 9 generation, also known as distributed generation, to maximize
- 10 energy efficiency and minimize environmental impacts, while
- 11 increasing reliability and security.
- 12 (c) Increased deployment of clean onsite electrical generation
- 13 reduces the need for generation that emits higher levels of
- 14 greenhouse gases that contribute to climate change and higher
- 15 levels of NOx that contribute to smog formation.

1 (d) Several types of clean onsite electrical generation
2 technologies currently exist and others are being developed, with
3 many being developed and manufactured in California.

4 (e) ~~Residential, commercial, Commercial~~ and industrial
5 customers are willing to invest their own capital to install clean
6 onsite generation technologies.

7 (f) Nonbypassable charges create an economic barrier to the
8 installation of clean onsite electrical ~~generation and, as a result,~~
9 ~~prevent cost savings for all ratepayers and environmental benefits~~
10 ~~for all Californians.~~ *generation.*

11 (g) Among states with similarly high energy prices and
12 environmental goals, California is the only state that allows
13 electrical corporations to apply nonbypassable charges to electricity
14 produced and consumed onsite.

15 ~~(h) Ratepayers would see a net cost savings from increased~~
16 ~~deployment of onsite electricity generation at customer sites that~~
17 ~~pay nonbypassable charges only on their electricity purchases from~~
18 ~~the grid. This ratepayer savings arises because onsite electricity~~
19 ~~generation reduces demand on the electrical grid, which reduces~~
20 ~~market electricity prices, and avoids transmission and distribution~~
21 ~~costs and energy losses.~~

22 ~~(i) Other cost-saving benefits to all ratepayers from clean onsite~~
23 ~~electrical generation include reductions in future generating~~
24 ~~capacity requirements, reductions in electrical grid congestion~~
25 ~~prices, reductions in emissions of greenhouse gases and criteria~~
26 ~~air pollutants, and increases in electrical grid resiliency and~~
27 ~~security.~~

28 SEC. 2. Section 354 is added to the Public Utilities Code, to
29 read:

30 354. (a) As used in this section, “clean distributed energy
31 resource” means a facility that is located on the customer’s
32 premises and generates electricity, or electricity and useful heat,
33 where the electricity generated is used for a purpose described in
34 paragraph (1) or (2) of subdivision (b) of Section 218, and that
35 meets either of the following requirements:

36 (1) It meets all of the following criteria:

37 (A) Produces emissions of greenhouse gases that are less than
38 ~~the levels established by the commission pursuant to paragraph~~
39 ~~(2) of subdivision (b) of Section 379.6.~~ *average emissions rate for*
40 *delivered electricity reported by the electrical corporation for the*

1 *service territory in which the project is located for the calendar*
2 *year prior to the year the facility is installed.*

3 (B) Produces emissions of nitrogen oxides and sulfur oxides
4 that are less than the levels permitted for an advanced electrical
5 distributed generation technology pursuant to Section 379.8.

6 (C) Has a nameplate rated generation capacity of 20 megawatts
7 or less.

8 (D) Is sized to meet the electrical demand of, or use the available
9 waste heat of, the customer that will be served by the generating
10 facility.

11 (2) It is an “eligible renewable energy resource” pursuant to the
12 California Renewables Portfolio Standard Program (Article 16
13 (commencing with Section 399.11)), has a nameplate rated
14 generation capacity of 20 megawatts or less, is sized to meet the
15 electrical demand of the customer that will be served by the
16 generating facility, and will not otherwise be addressed in the
17 commission’s implementation of Section 769 or 2827.1.

18 (b) To the extent authorized by federal law, by July 1, 2016, the
19 commission shall require each electrical corporation to do the
20 following for customers served by clean distributed energy
21 resources installed after January 1, 2016:

22 (1) (A) Collect all applicable nonbypassable charges fixed,
23 implemented, administered, or imposed by the commission based
24 only on the actual metered consumption of electricity delivered to
25 the customer through the electrical corporation’s transmission or
26 distribution system. All charges shall be at the same rate per
27 kilowatthour as paid by other customers that do not employ a clean
28 distributed energy resource under the electrical corporation’s
29 applicable rate schedule.

30 (B) *Identify the total amount of nonbypassable charges that*
31 *would be collected each year from customers served by clean*
32 *distributed energy resources installed after January 1, 2016, based*
33 *on gross consumption without any adjustment for the generation*
34 *of the clean distributed energy resources. This total amount shall*
35 *be fully recovered from customers in the same customer class as*
36 *those customers served by clean distributed energy resources*
37 *installed after January 1, 2016, and no amount may be shifted to*
38 *any other customer class.*

39 (2) (A) Calculate a reserve capacity for standby service, if
40 applicable, based on the capacity needed by an electrical

1 corporation to serve a customer's electrical demand during an
2 outage of the clean distributed energy resource providing electric
3 service for that customer.

4 (B) Initial reserve capacity shall be established by the customer
5 for a minimum of 12 months based on the clean distributed energy
6 resource generation technology's historical operation, the number,
7 size, and outage diversity of the clean distributed energy resource,
8 and the annual average reduction of customer load that could occur
9 during an outage.

10 (C) If after the initial 12-month period, the electrical corporation
11 reasonably determines that the reserve capacity does not reflect
12 the customer's actual standby demand, averaged over the previous
13 12 months, the electrical corporation shall modify the reserve
14 capacity once every 12 months to reflect the customer's actual
15 average annual reserve capacity based on the same criteria used
16 to establish the initial reserve capacity. Calculation of actual
17 average annual reserve capacity shall exclude the customer's
18 electrical demand served by the electrical corporation within 24
19 hours following an outage of the clean distributed energy resource
20 resulting from any event on the electrical corporation's
21 transmission or distribution grid that is outside of the customer's
22 control that requires the customer to reduce onsite generation.

23 *(c) A customer served by a clean distributed energy resource*
24 *shall, upon request, provide relevant data to the commission and*
25 *the State Air Resources Board and the facility is subject to onsite*
26 *inspection to verify equipment operation and performance,*
27 *including capacity, thermal output, and usage to verify criteria*
28 *air pollutant and greenhouse gases emissions performance.*
29 *Requests for relevant data shall occur no more than once per year.*

30 ~~(e)~~

31 (d) (1) By July 1, 2021, the Energy Commission, in consultation
32 with the commission, shall report on the impacts of this section to
33 the Legislature and the relevant policy committees of the
34 Legislature in regard to all of the following:

35 (A) Avoided transmission and distribution costs.

36 (B) Avoided energy losses.

37 (C) Wholesale electricity market prices.

38 (D) Electricity costs to ratepayers.

39 (E) Air quality.

40 (F) Emissions of greenhouse gases.

1 (G) Job creation.

2 (H) Energy reliability.

3 (2) The report to be submitted to the Legislature pursuant to
4 this subdivision shall be submitted in compliance with Section
5 9795 of the Government Code.

6 (3) The requirement for submitting a report pursuant to this
7 subdivision is inoperative on July 1, 2025, pursuant to Section
8 10231.5 of the Government Code.

9 SEC. 3. No reimbursement is required by this act pursuant to
10 Section 6 of Article XIII B of the California Constitution because
11 the only costs that may be incurred by a local agency or school
12 district will be incurred because this act creates a new crime or
13 infraction, eliminates a crime or infraction, or changes the penalty
14 for a crime or infraction, within the meaning of Section 17556 of
15 the Government Code, or changes the definition of a crime within
16 the meaning of Section 6 of Article XIII B of the California
17 Constitution.